

## February 2018 Revenue Update

### Major Taxes

Cash collections from Michigan major taxes, penalties and interest, and lottery transfers totaled \$1,051.1 million in February 2018, \$149.2 million more than in February 2017. For the fiscal year-to-date, collections in FY 2017-18 are \$216.1 million (or 3.0%) higher than during FY 2016-17.

Net income tax revenue totaled \$345.7 million in February 2018, and for FY 2017-18 collections through February are \$349.6 million (or 10.8%) higher than the same period during FY 2016-17. Year-to-date collections in FY 2017-18 from income tax withholding are \$151.2 million higher than one year ago, and quarterly payments remain well above target as a result of higher than anticipated February 2018 collections. However, this is likely a timing issue and will presumably be offset by lower annual payments and higher refunds in the coming months.

Net business taxes are the sum of the single business tax (SBT), the Michigan business tax (MBT), the corporate income tax (CIT), and insurance company taxes. Because of the uncertainty over when existing certificated MEGA credits will be claimed and the inherent volatility of corporate income taxes, monthly collections of business taxes can display significant fluctuations that diverge from historical patterns, and February 2018 was no exception. On a fiscal year-to-date basis, net business taxes are \$243.2 million lower through February 2018 than a year ago, primarily due to large MBT refunds.

Revenue from consumption taxes, which consist of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$778.8 million in February 2018, and are collectively \$99.3 million higher than in FY 2016-17 on a year-to-date basis. Use tax collections were at an all-time monthly high, in part due to a reclassification of sales tax revenue to use tax revenue to offset revenue improperly remitted as sales tax revenue in prior months.

Revenues from the state education tax (SET) and the real estate transfer tax (RET) in February 2018 were \$19.3 million and \$23.9 million, respectively, and on a year-to-date basis, SET revenue is below the consensus estimate. Transfers from the lottery to the School Aid Fund were \$110.0 million in February 2018, and are \$17.5 million higher than FY 2016-17 on a year-to-date basis.

### General Fund/General Purpose (GF/GP) Tax Revenue

General Fund revenue from Michigan major taxes was estimated<sup>1</sup> to be \$117.5 million in February 2018, about \$140.7 million below the projection established at the January 2018 consensus revenue estimating conference (CREC) as large MBT refunds offset the jump in use tax revenue.

Year-to-date GF/GP tax revenue for FY 2017-18 is about \$66.5 million above the projected amount, primarily due to the higher than expected quarterly payments received in prior months and the additional use tax revenue in February.

### School Aid Fund Revenue

School Aid Fund revenue from Michigan major taxes was estimated<sup>1</sup> to be \$842.9 million in February 2018, about \$38.4 million above the amount established at the January 2018 consensus revenue estimating conference, much of which can be attributed to use tax collections accruing to the SAF.

Year-to-date SAF revenue for FY 2017-18 is \$88.5 million above the consensus revenue projections for the same reasons as the General Fund.

<sup>1</sup> Because of accruals and undistributed revenue, monthly fund splits are estimated.

**FY 2017-18 February Revenue Collections**  
**Millions of Dollars**

<u>Major Taxes</u>	<u>FY 2017-18</u> <u>February</u>	<u>Year-to-Date Collections</u>		<u>Change from</u> <u>FY 2016-17 Year-to-Date</u>		<u>FY 2017-18 Estimates</u> <u>(January 2018 CREC)</u>	
		<u>FY 2016-17</u>	<u>FY 2017-18</u>	<u>Dollar</u>	<u>% Change</u>	<u>Dollar</u>	<u>% Change</u>
Individual Income Tax							
Withholding	\$745.5	\$3,215.1	\$3,366.3	\$151.2	4.7%	\$9,698.4	3.9%
Quarterly Income Tax	7.7	449.4	680.7	231.3	51.5%	1,241.1	3.9%
Annual Income Tax	<u>23.7</u>	<u>71.1</u>	<u>69.9</u>	<u>(1.2)</u>	<u>(1.7%)</u>	<u>950.6</u>	<u>8.0%</u>
<b>Gross Income Tax</b>	<b>776.9</b>	<b>3,735.7</b>	<b>4,116.9</b>	<b>381.2</b>	<b>10.2%</b>	<b>11,890.1</b>	<b>4.2%</b>
Less: Income Tax Refunds	<u>431.3</u>	<u>498.7</u>	<u>530.4</u>	<u>31.7</u>	<u>6.3%</u>	<u>1,990.1</u>	<u>1.7%</u>
<b>Net Income Tax</b>	<b>345.7</b>	<b>3,236.9</b>	<b>3,586.5</b>	<b>349.6</b>	<b>10.8%</b>	<b>9,900.0</b>	<b>4.7%</b>
Business Taxes							
Single Business Tax	(2.7)	9.5	6.5	(3.0)		5.0	
Michigan Business Tax	(308.3)	(433.6)	(617.4)	(183.8)		(757.9)	
Corporate Income Tax	32.4	332.3	252.0	(80.4)	(24.2%)	955.2	(13.6%)
Insurance Company Taxes	<u>11.9</u>	<u>86.9</u>	<u>110.8</u>	<u>24.0</u>	<u>27.6%</u>	<u>412.1</u>	<u>11.2%</u>
<b>Subtotal</b>	<b>(266.6)</b>	<b>(4.9)</b>	<b>(248.1)</b>	<b>(243.2)</b>		<b>614.4</b>	<b>(22.3%)</b>
Consumption Taxes							
Sales Tax	551.7	2,530.2	2,543.4	13.3	0.5%	8,026.9	2.9%
Use Tax	152.1	340.4	436.2	95.8	28.1%	1,107.0	1.9%
Beer and Wine Taxes	3.2	15.8	17.5	1.7	10.8%	52.5	2.7%
Liquor Excise Tax	0.0	36.3	30.7	(5.6)	(15.4%)	111.6	2.4%
Tobacco Taxes	<u>71.8</u>	<u>303.7</u>	<u>297.9</u>	<u>(5.9)</u>	<u>(1.9%)</u>	<u>938.5</u>	<u>(0.8%)</u>
<b>Subtotal</b>	<b>778.8</b>	<b>3,226.4</b>	<b>3,325.7</b>	<b>99.3</b>	<b>3.1%</b>	<b>10,236.5</b>	<b>2.5%</b>
Other Miscellaneous Taxes							
State Education Tax	19.3	292.5	254.7	(37.8)	(12.9%)	2,027.1	3.2%
Real Estate Transfer Tax	23.9	97.9	104.4	6.5	6.7%	322.6	1.7%
Essential Services Assessment	0.0	0.1	0.1	0.1	64.8%	91.0	8.3%
Industrial & Commercial Facilities Taxes	2.1	5.9	5.3	(0.6)	(10.7%)	38.0	5.6%
Casino Wagering Tax	8.9	37.1	36.5	(0.6)	(1.5%)	113.0	(0.2%)
Gas and Oil Severance Tax	1.8	7.9	8.3	0.5	5.9%	25.0	6.4%
Telephone and Telegraph Tax	0.0	13.8	14.6	0.8	5.7%	35.0	(1.7%)
Penalties and Interest	27.4	26.9	51.1	24.1	89.7%	112.0	(0.7%)
Lottery Transfer to SAF	<u>110.0</u>	<u>298.0</u>	<u>315.5</u>	<u>17.5</u>	<u>5.9%</u>	<u>926.0</u>	<u>0.2%</u>
<b>Subtotal</b>	<b>193.3</b>	<b>780.1</b>	<b>790.5</b>	<b>10.5</b>	<b>1.3%</b>	<b>3,689.7</b>	<b>2.2%</b>
<b>TOTAL</b>	<b>\$1,051.1</b>	<b>\$7,238.5</b>	<b>\$7,454.7</b>	<b>\$216.1</b>	<b>3.0%</b>	<b>\$24,440.6</b>	<b>2.5%</b>

Note: Numbers may not add due to rounding.